



Department of Commerce

Innovation is in our nature.

CHAPTER 2: NSP AT WORK IN WASHINGTON

Chapter 2: NSP at Work

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What NSP Wanted to Accomplish

Commerce wanted the Neighborhood Stabilization Program (NSP) to stabilize local housing markets by helping communities recover foreclosed properties and put them back into productive use.

By the end of August 2009, twenty-five jurisdictions signed NSP grant contracts. They wanted to recover 500 properties with a value of nearly \$90 million. The most common NSP-eligible planned use was homeownership assistance. It represented 38% of the original NSP grant -- but the lack of homebuyers resulted in a change in plans.

By the time jurisdictions obligated their NSP funds, they earmarked only six percent of the total NSP grant for homeownership assistance. Eventually housing deflation reduced their goal to \$60 million of recovered property.

FIGURE 2-1
NSP's Goals: Original and Revised

Activity	Original Goals ⁱ		Revised Goals ⁱⁱ	
	Units	Amount	Units	Amount
Type A: Homeownership Assistance	242	\$10,643,473	110	\$1,637,107
Type B: Purchase & Rehab	161	\$11,301,273	186	\$16,873,834
Type D: Remove Blight	64	\$613,880	17	\$300,847
Type E: Redevelopment	33	\$2,763,922	187	\$6,811,722
Administration		\$2,763,922		\$2,535,784
Total	500	\$28,159,290	500	\$28,159,291

What NSP Accomplished:

NSP jurisdictions have purchased more than 350 homes or properties. They rehabilitated or redeveloped the properties and then sold or rented them. Some jurisdictions partnered with local nonprofits to administer their NSP programs. Here is a summary of their accomplishments.

Since March 2009, when Commerce signed HUD's NSP agreement, jurisdictions:

- Recovered 350 houses representing over \$41.6 million in property values
- Thirty-nine percent of NSP funds benefit low-income households at or below 50% of median household incomes.
- Approximately 90 homes were resold or they are currently for sale. Among these homes, twenty-nine homes were sold by Habitat for Humanity.
- Eighty-two homebuyers received financial assistances to purchase a home.
- Land Trusts purchased 30 properties to be maintained as low-income properties for over 90 years.
- Demolished 12 blighted, abandoned properties.
- Over 130 long term rentals were constructed, rehabilitated, or converted from ownership to rentals – 27 single family units, 93 multi-family units, and 6 long-term transitional homes.
- Commerce disbursed \$26.6 million of its NSP grant – representing almost 95 percent of the grant, including \$1.78 million in program income.
- Commerce estimates an additional \$6 million in program income will be earned statewide through the NSP program.

Selection of NSP Recipients:

The Housing and Economic Recovery Act of 2008 (HERA) stipulates how to disburse NSP funds. It requires giving priority to areas of “greatest need” defined as:

- (A) having the greatest percentage of home foreclosures,
- (B) having the highest percentage of homes financed by subprime loans, and
- (C) areas identified by the State as likely to face a significant rise in foreclosures.

Commerce allocated its NSP funds using data provided by the Local Initiatives Support Corporation (LISC). HUD hired LISC to calculate foreclosure needs scores across the nation. Commerce used the LISC scores for ZIP code areas to allocate its NSP funds. It combined the scores to create an aggregate foreclosure needs score and allocated NSP funds in proportion to these LISC scores.

The following are communities that received NSP funds from Commerce.

Puget Sound Region

Snohomish County
King County
Pierce County
Kitsap County
Bellingham
Everett
Federal Way
Kent
Lacey
Lakewood
Seattle
Tacoma
Yelm

Eastern Washington

Spokane County
Spokane
Kennewick
Pasco
Toppenish
Walla Walla
Yakima

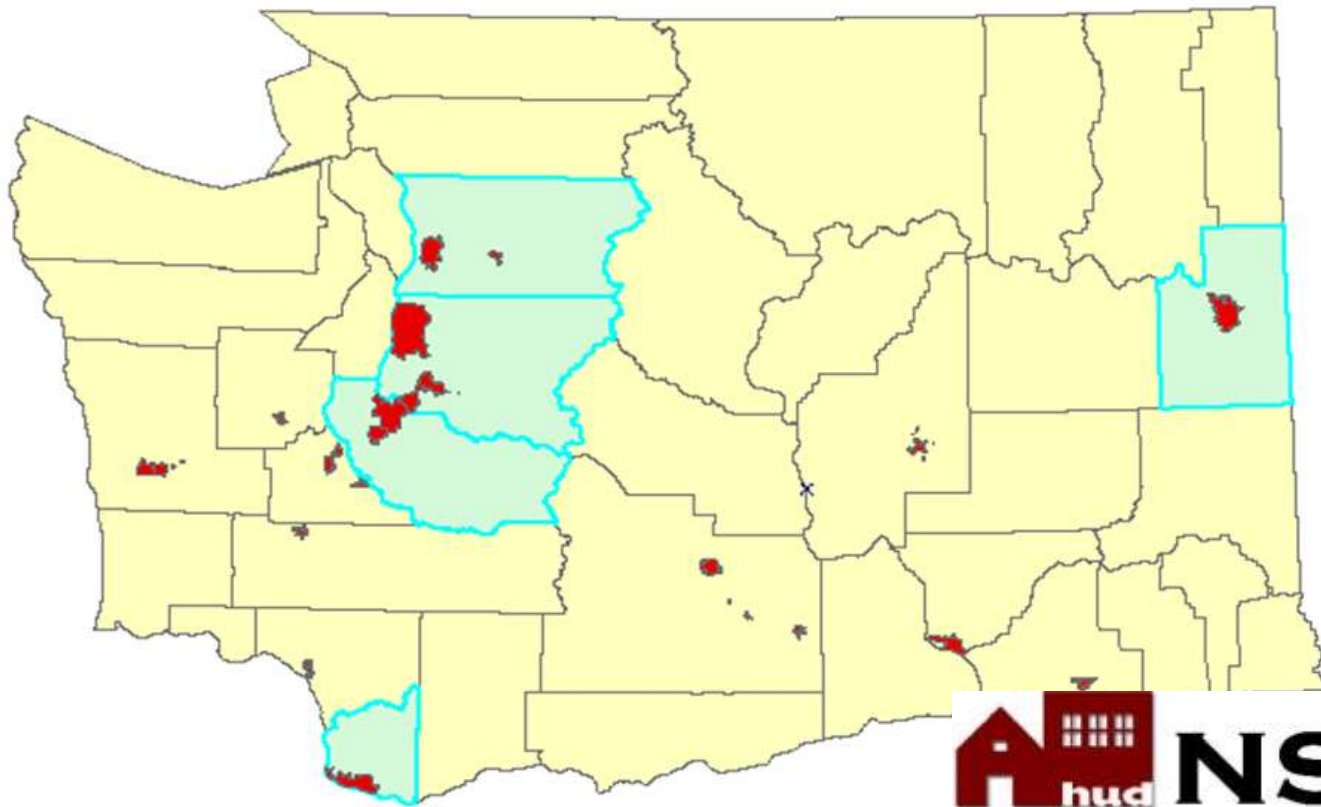
Western Washington

Clark County
Aberdeen
Hoquiam
Kelso
Vancouver

[HOME](#)

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Washington's NSP Jurisdictions



Highlights of Specific Accomplishments:

Each community receiving NSP funds purchased foreclosed or abandoned properties with the goal of reducing blight, stopping erosion of property values, and putting the properties back into productive use. However, the final use of purchased properties varied by local need.

In their application for NSP funds, communities designed their programs to meet specific local needs. Needs were identified primarily using HUD-required consolidated plans for housing, census tract data, and working with local housing providers and the public.

- Some communities needed affordable rental housing.
- Other communities wanted to increase the percentage of homeownership.
- Some wanted to address blight and public nuisances of properties in very poor condition.
- Others wanted to provide transitional housing to homeless veterans or other underserved populations.

Some NSP communities had the in-house capacity to administer and implement very successful housing programs. Others did not have this capability and chose to partner with nonprofits with expertise in neighborhood stabilization, community development and housing. Habitat for Humanity, NeighborWorks and local housing authorities had the ability to immediately implement the NSP programs and get funds out to recover properties.

Rental Housing

Thirteen communities concentrated their NSP funds on recovering properties to use as long-term rental housing because their housing markets have a shortage of rental housing units. These communities include: Aberdeen, Clark County, Everett, Kelso, Kennewick, Kitsap County, Lacey, Snohomish County, Spokane, Spokane County, Vancouver, Walla Walla and Yelm.

NSP funds are being used in two communities to help fund large, multi-family rental projects.

- The City of Spokane and Spokane County are jointly developing a multi-use facility on an abandoned and foreclosed site that once was a farmers market. This development will provide over 30 rental units along with some commercial space. This facility is part of a long-range plan to bring much needed economic vitality into a depressed area.
- The City of Vancouver and Clark County provided NSP funds to the Vancouver Housing Authority to develop a large foreclosed parcel into multi-family rentals – potentially serving 50 – 100 families. This development is expected to take 6 years to complete and will benefit an area where over 60 percent of the families meet HUD's required income levels.

Homeownership

Some communities wanted to increase the percentage of homeownership to encourage residents to stay longer in the community, and thus improve the stability of neighborhoods. The communities of Hoquiam, King County, Kitsap County, Pasco, Pierce County and Yakima used NSP funds to purchase 63 houses for resale to income eligible homebuyers.

Habitat for Humanity (Habitat) played a significant role in a number of NSP communities. Tacoma, Toppenish, Kent, Lakewood, Hoquiam and Kelso provided funds to Habitat. Habitat's goal is to provide homeownership to low income families. Their model has traditionally been to build new homes from the ground up with volunteer assistance including required donated hours from the actual homebuyer. Recently they have added to this model. For example, after signing a sub-recipient agreement with the City of Kent, Habitat used NSP funds to purchase three foreclosed homes and rehabilitated them instead of building brand new homes. To date, 29 homes across the state have been recovered by Habitat.

Down Payment Assistance

Seven communities chose to provide NSP funds as down payment assistance to help 82 families purchase homes. Tacoma, Pierce County and Federal Way were the leaders in the amount of assistance given. Pasco, Clark County and Everett also loaned funds.

Housing Authorities

Clark County, Everett, Kelso, Lacey, Vancouver, Walla Walla and Yelm worked with their local housing authorities to implement their NSP programs. These housing authorities were able to offer their extensive housing expertise and knowledge to ensure that local NSP programs were successful. A number of these recovered houses are being used for supportive housing to very low-income persons.

The City of Federal Way worked with the Washington State Housing Finance Commission to help them implement a successful down payment assistance program that benefited 11 eligible homebuyers.

Land Trusts

The cities of Seattle and Bellingham contracted with community land trusts. In both cases, the land trusts purchased land that will remain in the ownership of the land trust. Only the actual improvements on the property will be resold to homebuyers. In high real estate cost areas, this allows lower income families to be able to afford homes. The families will be able sell the house, but the ownership of the land remains with the Land Trust. As a condition of the lease, the homes must stay affordable for at least 90 years.

Demolition and Blight:

Some communities had distressed properties that were abandoned, falling apart, used for illicit activities or boarded up, and created a health hazard and public nuisance that needed to be addressed. The communities' goal was not to take control of the properties, but to take care of the public nuisance and health hazard. Problem properties were cleaned up – regardless of ownership - and where needed, unrecoverable structures were demolished to remove the hazard and improve safety.

The City of Lakewood cleaned up 10 properties using NSP funds. Two properties were purchased, cleaned up and donated to Habitat for home construction. Other properties were assessed with a tax lien. For the properties where the cleanup cost was repaid by property owners, Lakewood established a revolving loan fund to clean up additional properties.

The City of Kelso also used NSP funds to clean up two abandoned properties. One site - a single-family lot, was purchased, cleaned up, and donated to Habitat for home construction. The second site, a large parcel with a derelict building, had been used as a salvage yard, maintenance garage and junkyard over the years. This site requires soil testing and potential remediation before it can be redeveloped.

ⁱ Source: Applications from jurisdictions for NSP funds

ⁱⁱ Source: DRGR Report 7b: Grant Funds Budget and Cumulative Data - Activity Level by Responsible Organization, September 1, 2010